

**REPORT OF THE AUDIT OF THE  
GRAVES COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE GRAVES COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2001**

The Auditor of Public Accounts has completed the Graves County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$1,499,966 from the beginning of the year, resulting in a cash surplus of \$990,431 as of June 30, 2001.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2001, was \$3,290,000. Future collections of \$3,964,864 are needed to pay all bonded debt principal and interest.

Notes payable agreements totaled \$2,610,244 as of June 30, 2001. Future principal and interest payments of \$3,134,433 are needed to meet these obligations.

Capital lease agreements totaled \$704,826 as of June 30, 2001. Future principal and interest payments of \$789,230 are needed to meet these obligations.

#### **Report Comments:**

- Fiscal Court Should Approve All County Employees' Pay Rates
- Accurate Accounting Records Should Be Maintained By The County
- All Claims Should Be Presented To Fiscal Court For Review And Approval Prior To Payment And Should Be Paid Within 30 Days
- Jailer Should Annually Submit Canteen Activities Report



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tony Smith, Graves County Judge/Executive  
Members of the Graves County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Graves County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Graves County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Graves County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Graves County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tony Smith, Graves County Judge/Executive  
Members of the Graves County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2002 on our consideration of Graves County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Graves County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Fiscal Court Should Approve All County Employees' Pay Rates
- Accurate Accounting Records Should Be Maintained By The County
- All Claims Should Be Presented To Fiscal Court For Review And Approval Prior To Payment And Should Be Paid Within 30 Days
- Jailer Should Annually Submit Canteen Activities Report

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 30, 2002



GRAVES COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Tony Smith	County Judge/Executive
Romey Holmes	Commissioner
Charles Reeves	Commissioner
Jeffrey Howard	Commissioner

**Other Elected Officials:**

Gayle Robbins	County Attorney
Jimmy Coltharp	Jailer
Barry Kennemore	County Clerk
Nedra Nall	Circuit Court Clerk
John Davis	Sheriff
Howell Carr	Property Valuation Administrator
Phillip McClain	Coroner

**Appointed Personnel:**

Vicki McClain	County Treasurer
Carol Holloway	Occupational Tax Administrator
Codie Courtney	Finance Officer
Vicki McClain	Personnel or Payroll Officer
Danny Travis	Road Supervisor
Carol Holloway	911 Administrator
Ann Rutherford	Jail Administrative Assistant/Bookkeeper



STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



GRAVES COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	177,128
Road and Bridge Fund:		
Cash		15,019
Jail Fund:		
Cash		42,152
Local Government Economic Assistance Fund:		
Cash		10,294
Disaster and Emergency Services Fund:		
Cash		13,687
Adult and Juvenile Housing Fund:		
Cash		225
Jail Escrow Fund:		
Cash		307,628
Industrial Development Fund:		
Cash		2
Payroll Revolving Account - Cash		35,819

Debt Service Fund Type

Building Commission Fund		
Cash	424,296	\$ 1,026,250

Other Resources

General Fund Type

General Fund:		
Amounts to be Provided in Future Years for Lease Principal - Voting Machines (Note 4A)		119,129
Road Fund:		
Amounts to be Provided in Future Years for Lease Principal - Road Equipment (Note 4B, 4C, and 4D)		585,697
Industrial Development Fund:		
Amounts to be Provided in Future Years for Note Principal - Seaboard Farms of Kentucky, Inc. (Note 4E)		2,177,728

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Other Resources (Continued)

General Fund Type (Continued)

Industrial Development Fund: (Continued)

Amounts to be Provided in Future Years for Note

Principal - Recycled Paper Shavings, Inc. (Note 4F)	\$	432,516
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Debt Service Fund Type

Building Commission Fund:

Amounts to be Provided in Future Years for

Bond Payments (Note 4G and 4H)	2,865,704
--------------------------------	-----------

Total Assets and Other Resources	\$	<u>7,207,024</u>
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Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Lease Agreement:

Voting Machines (Note 4A)	\$	119,129
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Road Fund:

Lease Agreements:

6 Mac Trucks (Note 4B)	462,000	
Backhoe (Note 4C)	23,171	
Gradall (Note 4D)	<u>100,526</u>	585,697

Industrial Development Fund:

Notes Payable:

Seaboard Farms of Kentucky, Inc.

(Note 4E)	\$	2,177,728
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Recycled Paper Shavings, Inc.

(Note 4F)	<u>432,516</u>	2,610,244
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Payroll Revolving Fund		35,819
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The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Debt Service Fund Type

Building Commission Fund:

Bonds Not Matured:

Courthouse (Note 4G)	\$	2,015,000	
Detention Center (Note 4H)		<u>1,275,000</u>	\$ 3,290,000

Fund Balances

Unreserved:

General Fund Type

General Fund	\$	177,128	
Road and Bridge Fund		15,019	
Jail Fund		42,152	
Local Government Economic Assistance Fund		10,294	
Disaster and Emergency Services Fund		13,687	
Adult and Juvenile Housing Fund		225	
Jail Escrow Fund		307,628	
Industrial Development Fund		<u>2</u>	<u>566,135</u>
Total Liabilities and Fund Balances			<u>\$ 7,207,024</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

GRAVES COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 7,669,124	\$ 3,814,148	\$ 1,915,069	\$ 189,455
Transfers In	3,020,319	424,977	1,119,941	1,027,380
Total Cash Receipts	<u>\$ 10,689,443</u>	<u>\$ 4,239,125</u>	<u>\$ 3,035,010</u>	<u>\$ 1,216,835</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,006,918	\$ 1,745,290	\$ 2,979,591	\$ 1,174,683
Transfers Out	3,020,319	2,475,924		
Trustees Fees	5,507			
Unbudgeted Miscellaneous Expenditure	106			
Principal on Notes	217,360			
Principal on Leases	159,529	119,129	40,400	
Bonds:				
Principal Paid	1,490,000			
Interest Paid	289,670			
Total Cash Disbursements	<u>\$ 12,189,409</u>	<u>\$ 4,340,343</u>	<u>\$ 3,019,991</u>	<u>\$ 1,174,683</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (1,499,966)	\$ (101,218)	\$ 15,019	\$ 42,152
Cash Balance - July 1, 2000	<u>2,490,397</u>	<u>278,346</u>		
Cash Balance - June 30, 2001	<u>\$ 990,431</u>	<u>\$ 177,128</u>	<u>\$ 15,019</u>	<u>\$ 42,152</u>

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2001  
 (Continued)

General Fund Type					Debt Service Fund Type
Local Government Economic Assistance Fund	Disaster and Emergency Services Fund	Adult and Juvenile Housing Fund	Jail Escrow Fund	Industrial Development Fund	Building Commission Fund
\$ 10,300	\$ 21,154	\$ 50	\$ 405,257	\$ 988,904	\$ 324,787
100	29,399	299,104			119,418
\$ 10,400	\$ 50,553	\$ 299,154	\$ 405,257	\$ 988,904	\$ 444,205
\$	\$ 36,866	\$ 298,929	\$ 544,395	\$ 771,559	\$
					5,507
106				217,360	
					1,490,000
					289,670
\$ 106	\$ 36,866	\$ 298,929	\$ 544,395	\$ 988,919	\$ 1,785,177
\$ 10,294	\$ 13,687	\$ 225	\$ (139,138)	\$ (15)	\$ (1,340,972)
			446,766	17	1,765,268
\$ 10,294	\$ 13,687	\$ 225	\$ 307,628	\$ 2	\$ 424,296

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Graves County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Graves County Building Commission as part of the reporting entity.

The Graves County Building Commission is financially accountable to the Fiscal Court. The Judge/Executive appoints the voting majority to the Commission and is able to impose its will on the Commission. The financial information for the Commission is blended in the financial statement.

Additional - Graves County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Graves County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Graves County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Graves County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Adult and Juvenile Housing Fund, Jail Escrow Fund, and the Industrial Development Fund.

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Building Commission Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Graves County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Building Commission Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash

Cash includes amounts in bank accounts, and investments are stated at cost. KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Graves County Fiscal Court:

Consumer Water District	Fancy Farm Water District
South Graves Water District	Graves County Extension District
Hickory Water District	Hardeman Water District
Symsonia Water District	

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are joint ventures with the Graves County Fiscal Court:

Mayfield-Graves County Parks and Recreation	Mayfield-Graves County Senior Citizens
Mayfield-Graves County Ambulance Service	Mayfield-Graves County Public Library
Mayfield-Graves County Local Development Corporation	

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

A. Voting Machines

On October 1, 1999, the county entered into a lease agreement at a rate of 5.5% for voting machines. The balance as of June 30, 2001 is \$119,129. Principal and interest payment requirements are:

Fiscal Year Ending	Principal	Interest
06/30/2002	\$ 34,419	\$ 5,693
06/30/2003	36,361	3,752
06/30/2004	38,412	1,700
06/30/2005	9,937	91
Totals	<u>\$ 119,129</u>	<u>\$ 11,236</u>

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 4. Long-Term Debt (Continued)

B. Trucks

On March 1, 1999, the county entered into a lease agreement at a rate of 4.24% for 6 Mac trucks. The balance as of June 30, 2001 is \$462,000. Principal and interest payment requirements are:

Fiscal Year Ending	Principal	Interest
06/30/2002	\$	\$ 19,589
06/30/2003		19,589
06/30/2004	462,000	19,589
Totals	\$ 462,000	\$ 58,767

C. Backhoe

On September 22, 1999, the county entered into a lease agreement for a backhoe. The balance as of June 30, 2001 is \$23,171. Principal and interest payment requirements are:

Fiscal Year Ending	Principal	Interest
06/30/2002	\$ 18,536	\$ 0
06/30/2003	4,635	0
Totals	\$ 23,171	\$ 0

D. Gradall

On September 1, 1999, the county entered into a lease agreement at a rate of 5.60% for a gradall. The balance as of June 30, 2001 is \$100,526. Principal and interest payment requirements are:

Fiscal Year Ending	Principal	Interest
06/30/2002	\$ 23,123	\$ 5,609
06/30/2003	24,413	4,318
06/30/2004	25,776	2,956
06/30/2005	27,214	1,518
Totals	\$ 100,526	\$ 14,401



GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. Long-Term Debt (Continued)

E. Wastewater Treatment Facility - Seaboard Farms of Kentucky, Inc.

On February 1, 1990, the Graves County Fiscal Court entered into an Assistance Agreement with the Kentucky Infrastructure Authority. The purpose of the assistance was to construct a wastewater treatment facility for Seaboard Farms of Kentucky, Inc. The Graves County Fiscal Court borrowed \$3,717,000 at an interest rate of 3.5 percent. Seaboard Farms of Kentucky, Inc. (currently known as Conagra Poultry Company) has agreed to pay the Graves County Fiscal Court rental payments in amounts equal to the loan payments. If the payment from Seaboard Farms of Kentucky, Inc. is not sufficient to meet the principal, interest, and service fee requirements of the assistance agreement, the Graves County Fiscal Court is liable for the payment. Principal and interest payment requirements excluding anticipated payments from Seaboard Farms are:

Fiscal Year Ending	Principal	Interest Rate	Interest
6/30/2002	\$ 185,370	3.50%	\$ 78,876
6/30/2003	191,915	3.50%	71,957
6/30/2004	198,670	3.50%	64,794
6/30/2005	205,705	3.50%	57,379
6/30/2006	212,968	3.50%	49,701
6/30/2007-2011	1,183,100	3.50%	123,509
Totals	<u>\$ 2,177,728</u>		<u>\$ 446,216</u>

F. Wastewater Treatment Facility - Recycled Paper Shavings, Inc.

The Graves County Fiscal Court entered into an Assistance Agreement, dated December 1, 1995, with the Kentucky Infrastructure Authority. The purpose of the agreement was to construct a wastewater treatment facility for Recycled Paper Shavings, Inc. The Graves County Fiscal Court borrowed \$628,777 at an interest rate of 3.24 percent. Recycled Paper Shavings, Inc. has agreed to pay the Graves County Fiscal Court rental payments in amounts equal to the loan payments as stipulated in a lease agreement dated January 8, 1996. If the payment from Recycled Paper Shavings, Inc. is not sufficient to meet the principal, interest, and service fee requirements of the assistance agreement, Graves County Fiscal Court is liable for the payment.

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. Long-Term Debt (Continued)

F. Wastewater Treatment Facility - Recycled Paper Shavings, Inc. (Continued)

Principal and interest payment requirements excluding anticipated payments from Recycled Paper Shavings, Inc. are:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>
6/30/2002	\$ 39,563	3.24%	\$ 14,541
6/30/2003	40,855	3.24%	13,169
6/30/2004	42,189	3.24%	11,752
6/30/2005	43,568	3.24%	10,289
6/30/2006	44,991	3.24%	8,778
6/30/2007-2011	221,350	3.24%	19,444
Totals	<u>\$ 432,516</u>		<u>\$ 77,973</u>

G. Court Facilities Project

On December 1, 1996, the Graves County Building Commission issued first mortgage refunding revenue bonds, series 1996A in the amount of \$2,555,000 for the purpose of discharging the outstanding bond series 1990 and 1991 Court Facilities Project. The Kentucky Administrative Office of the Courts (AOC) agreed to pay \$233,000 annually for the principal and interest of these bonds directly to the Paying Agent. If the payment from AOC is not sufficient to meet the principal and interest requirements of the bond, the county is liable for the remainder. Principal and interest payment requirements excluding anticipated payments from AOC and debt service reserves are:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>
6/30/2002	\$ 125,000	4.95%	\$ 99,743
6/30/2003	130,000	4.95%	93,555
6/30/2004	140,000	4.95%	87,120
6/30/2005	145,000	4.95%	80,190
6/30/2006	155,000	4.95%	73,013
6/30/2007	160,000	4.95%	65,340
6/30/2008-2012	1,160,000	4.95%	199,486
Totals	<u>\$ 2,015,000</u>		<u>\$ 698,447</u>

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. Long-Term Debt (Continued)

H. Detention Facilities Project

On December 1, 1996, the Graves County Building Commission issued first mortgage refunding revenue bonds, series 1996B in the amount of \$1,700,000 for the purpose of discharging the outstanding bonds of series 1991 Detention Facilities Project. The Graves County Building Commission and Graves County have entered into an annually renewable lease, dated as of December 1, 1996, wherein Graves County will lease from the Graves County Building Commission the Project and Project Site, at an agreed rental, the proceeds of which will be used to pay principal and interest on the bonds. Principal and interest payment requirements excluding debt service reserves are:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>
6/30/2002	\$ 95,000	5.05%	\$ 64,928
6/30/2003	100,000	5.05%	60,130
6/30/2004	110,000	5.10%	55,080
6/30/2005	110,000	5.10%	49,470
6/30/2006	115,000	5.10%	43,860
6/30/2007	125,000	5.10%	37,995
6/30/2008-2012	620,000	5.10%	89,250
Totals	<u>\$ 1,275,000</u>		<u>\$ 400,713</u>

Note 5. Insurance

For the fiscal year ended June 30, 2001, Graves County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Graves County Detention Center Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Detention Center Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable detention center canteen operations.

The Graves County Jail Canteen Fund had income of \$28,735, less cost of goods sold of \$ 12,510, less other expenses of \$ 7,912, leaving net income at \$8,313 as of June 30, 2001. All profit expenditures were for the benefit and/or recreation of the inmates.

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 7. Subsequent Event

On July 3, 2002, Graves County borrowed \$300,000 to meet operating expenditures. This loan was repaid September 3, 2002.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



GRAVES COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,031,532	\$ 3,814,148	\$ 782,616
Road and Bridge Fund	1,156,700	1,915,069	758,369
Jail Fund	188,410	189,455	1,045
Local Government Economic Assistance Fund	9,800	10,300	500
Disaster and Emergency Services Fund	18,000	21,154	3,154
Adult and Juvenile Housing Fund		50	50
Jail Escrow Fund	600,000	405,257	(194,743)
Industrial Development Fund	3,118,882	988,904	(2,129,978)
Totals	<u>\$ 8,123,324</u>	<u>\$ 7,344,337</u>	<u>\$ (778,987)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 8,123,324
Add: Budgeted Prior Year Surplus	363,701
Less: Other Financing Uses	<u>(638,882)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 7,848,143</u>

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SCHEDULE OF OPERATING REVENUE



GRAVES COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Debt Service Fund Type
Taxes	\$ 2,969,184	\$ 2,969,184	\$
In Lieu Tax Payments	62,059	62,059	
Excess Fees	239,631	239,631	
Licenses and Permits	57,248	57,248	
Intergovernmental Revenues	3,110,346	2,876,712	233,634
Charges for Services	23,422	23,422	
Miscellaneous Revenues	1,079,657	1,079,657	
Interest Earned	127,577	36,424	91,153
Total Operating Revenue	<u>\$ 7,669,124</u>	<u>\$ 7,344,337</u>	<u>\$ 324,787</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



GRAVES COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 771,039	\$ 727,917	\$ 43,122
Protection to Persons and Property	1,946,726	1,772,691	174,035
General Health and Sanitation	25,170	23,403	1,767
Social Services	11,200	9,300	1,900
Recreation and Culture	337,022	312,082	24,940
Roads	2,723,000	2,390,919	332,081
Airports	15,000	15,000	
Debt Service	558,122	540,465	17,657
Capital Projects	450,000	270,130	179,870
Administration	1,010,864	945,011	65,853
Total Operating Budget - All General Fund Types	\$ 7,848,143	\$ 7,006,918	\$ 841,225
Other Financing Uses:			
Principal on Notes	318,882	217,360	101,522
Principal on Lease Agreements	160,000	159,529	471
Transfers to Building Commission Fund	160,000	119,418	40,582
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 8,487,025</u>	<u>\$ 7,503,225</u>	<u>\$ 983,800</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tony Smith, Graves County Judge/Executive  
Members of the Graves County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Graves County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Graves County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- Fiscal Court Should Approve All County Employees' Pay Rates
- Accurate Accounting Records Should Be Maintained By The County
- All Claims Should Be Presented To Fiscal Court For Review And Approval Prior To Payment And Should Be Paid Within 30 Days
- Jailer Should Annually Submit Canteen Activities Report



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Graves County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 30, 2002

## COMMENTS AND RECOMMENDATIONS



GRAVES COUNTY  
COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2001

NONCOMPLIANES

1. Fiscal Court Should Approve All County Employees' Pay Rates

During our test of payroll, we noted that Fiscal Court did not approve salaries and pay rates for county employees. KRS 64. 530 states each county shall fix the compensation of every county officer and employee. We recommend that the Fiscal Court set and approve compensation rates for all county employees by job position.

*County Judge/Executive Tony Smith Response:*

*All recommendations will be complied with.*

2. Accurate Accounting Records Should Be Maintained By The Court

The county's receipt and appropriation ledgers did not agree with the county's financial statement. Auditors noted a \$125,000 Soccer Grant was not posted to the receipt ledger and estimates for Social Security and Medicare were posted to the appropriation ledger instead of the actual amounts. Also, the appropriation ledger was not corrected for voided checks. The county paid \$141,042 of expenditures through the payroll revolving bank account instead of the general fund bank account. According to KRS 68.210, the state local finance officer has set minimum accounting and reporting standards for all local government officials. In accordance with this statute, the state local finance officer has set the uniform system of accounts for all Kentucky counties. We recommend that the county meet the accounting and reporting standards provided in this statute to ensure accurate accounting records, that the receipt and appropriations ledgers reconcile to the county's financial statement and only payroll related items go through the payroll revolving bank account.

*County Judge/Executive Tony Smith Response:*

*Every effort will be made to comply.*

3. All Claims Should Be Presented To Fiscal Court For Review And Approval Prior To Payment And Should Be Paid Within 30 Days

During our test of expenditures, we noted twelve claims totaling \$2,014,267 that were not reviewed and approved by Fiscal Court prior to payment and 2 claims totaling \$133,156 that were not paid within 30 days. KRS 68.275 requires that all claims be reviewed and approved by Fiscal Court prior to payment. KRS 65.140 states all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice. We recommend that all claims be submitted to Fiscal Court for approval prior to payment and to ensure proper documentation in the Fiscal Court Order.

*County Judge/Executive Tony Smith Response:*

*Will be corrected.*

GRAVES COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Fiscal Year Ended June 30, 2001  
(Continued)

NONCOMPLIANCES (Continued)

4. Jailer Should Annually Submit Canteen Activities Report

The Jailer did not submit an annual accounting report for the jail canteen account. KRS 441.135 states the Jailer shall annually report the activities of the canteen to the County Treasurer. We recommend that the Jailer submit an annual report to Treasurer.

*County Judge/Executive Tony Smith Response:*

*Compliance will be made.*



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

GRAVES COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001

**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

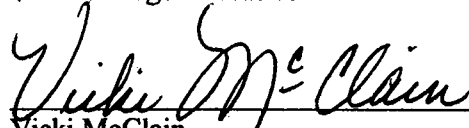
**GRAVES COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Graves County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purposes intended as dictated by the applicable Kentucky Revised Statutes.



Tony Smith  
County Judge/Executive



Vicki McClain  
County Treasurer

